

CITY OF OXFORD JUNCTION

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE TWELVE MONTH PERIOD
APRIL 1, 2020 THROUGH MARCH 31, 2021

Table of Contents

	<u>Page</u>
Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2 - 4
Detailed Findings and Recommendations	5 - 6

City of Oxford Junction

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Kristina Stevenson	Mayor	Jan 2020	Jan 2022
Jeff Carstensen	Council Member	Jan 2018	Jan 2022
Matt Nierling	Council Member	Jan 2020	Jan 2024
Nick Balichek	Council Member	Jan 2018	Jan 2022
Kathy Chase	Council Member	Jan 2018	Jan 2022
Maria Dunkel	Council Member	Jan 2020	Jan 2024
Stacia Hansen	City Clerk/Treasurer		Indefinite
Kyle Mauer	Attorney		Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council
City of Oxford Junction

I performed the procedures below which were established at Iowa Code Chapter 11.6, to provide oversight of certain Iowa cities. Accordingly, I have applied certain procedures to selected accounting records and related information of the City of Oxford Junction for the twelve month period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Oxford Junction's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The City of Oxford Junction's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa recommendations. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor and
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City of Oxford Junction

7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. I scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

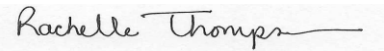
Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was engaged by the City of Oxford Junction's management to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Oxford Junction and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

To the Honorable Mayor and
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City of Oxford Junction

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rachelle Thompson". The signature is written in dark ink on a light-colored, slightly textured background.

Rachelle K. Thompson, CPA
Hampton, Iowa

November 5, 2021

Detailed Findings and Recommendations

City of Oxford Junction
Detailed Findings and Recommendations
For the twelve month period April 1, 2020 through March 31, 2021

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and recording.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year, however the reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure an independent person reviews the reconciliations and documents the review by signing or initialing and dating the monthly reconciliations.

- (C) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (D) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council include a summary of total disbursements by fund. For the minutes tested, it was noted the minutes did not contain a summary of total disbursements by fund.

Recommendation – The City should comply with the Chapter 372.13(6) of the Code of Iowa. The City should ensure the posted minutes contain a summary of total disbursements by fund.

City of Oxford Junction
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- (E) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (F) Disbursements – Supporting documentation for one disbursement tested could not be immediately located, however it was provided at a later date.

Recommendation - All disbursements should be supported by invoices or other supporting documentation. The individual reviewing and approving invoices for payment should initial and date each invoice to document their review and approval.

- (G) Payroll – Timesheets did not include evidence of supervisory review.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (H) Financial Condition – At June 30, 2020, the City had deficit balances of \$5,883, \$9,192 and \$67,480 in the Special Revenue – Road Use Tax Fund, the Capital Projects – Housing Grant Fund and Sewer Lining Project Fund, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

- (I) Interfund Transfers – It was noted interfund transfers were not approved with a fund transfer resolution.

Recommendation – The City should review procedures and future transfers should be approved by a resolution.

- (J) Unclaimed Property - Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State (State) annually. I noted there were several outstanding obligations which were older than two years.

Recommendation – Outstanding obligations should be reviewed annually and outstanding checks over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (K) Local Option Sales and Services Tax – The City imposed a local sales and services tax in the City with receipts to be allocated as follows: 25% for property tax relief, 60% for capital improvements and 15% for curb and gutter/sidewalks. Documentation was not maintained to demonstrate the tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

